



## MARKET REPORT

**Friday 20<sup>th</sup> November 2020**

### Market Headlines

US initial jobless claims unexpectedly rose to 742,000 for the week to 14 November, as spiralling infections led to another wave of layoffs, ahead of the 707,000 forecast and 711,000 filings the previous week.

Japanese inflation fell 0.4% in October year-on-year, below the 0.3% drop predicted, whilst the manufacturing purchasing managers index for November deteriorated for the nineteenth straight month to 48.3, with under 50 indicating contraction.

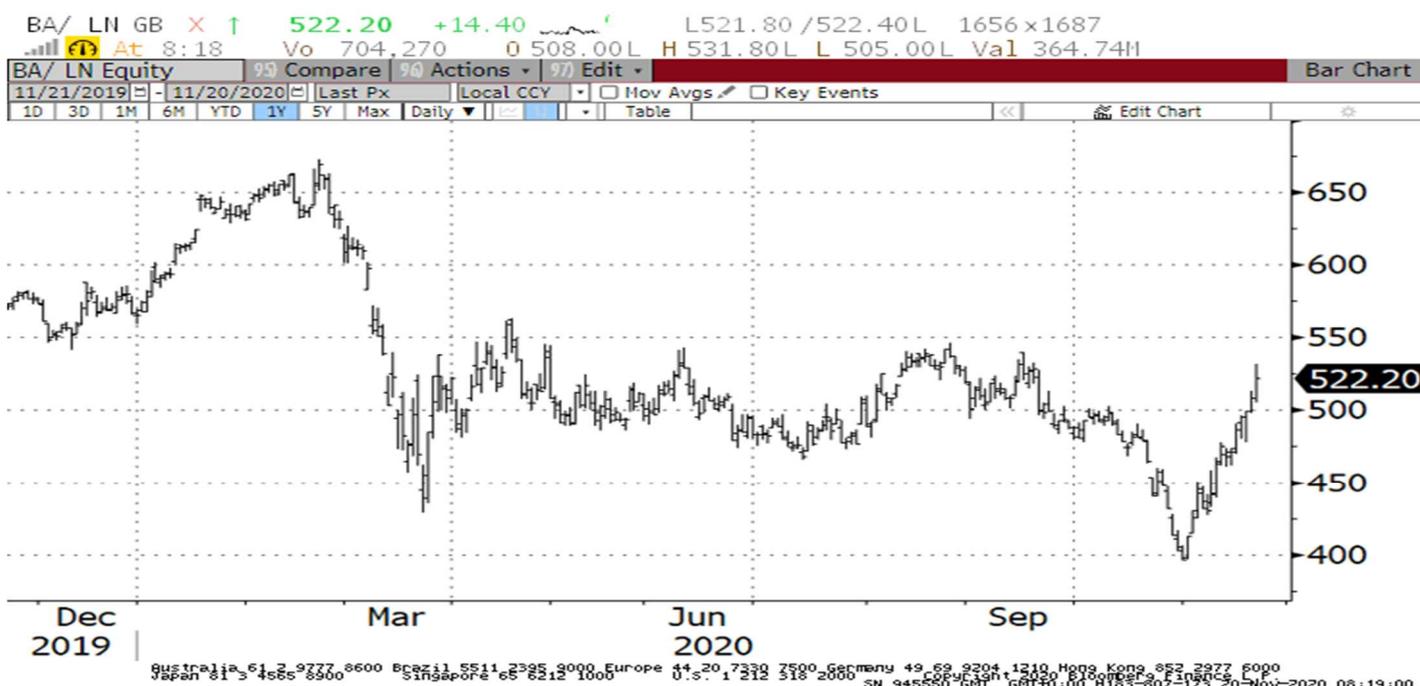
UK Government borrowing hit £22.3bn in October, the highest October borrowing figure since monthly records began in 1993, as it supported the economy in the wake of the pandemic and debt to GDP hit 100.8%, a level last seen in the early 1960's.

The S&P 500 rose 0.4%, the Nikkei 225 fell 0.4%, the Hang Seng added 0.3% and the Shanghai Composite closed up 0.4%. European indices were higher.

### Investments on our buy list

**BAE Systems (BA/)** – Boris Johnson's £16.5bn defence spending pledge has boosted sentiment towards BAE, the U.K.'s biggest defence company. A tranche of the money will be spent on Tempest, the bumper programme BAe is working on to design and build a sixth-generation fighter jet. In another piece of good news BAe also bagged a £58m deal with the U.S. navy.

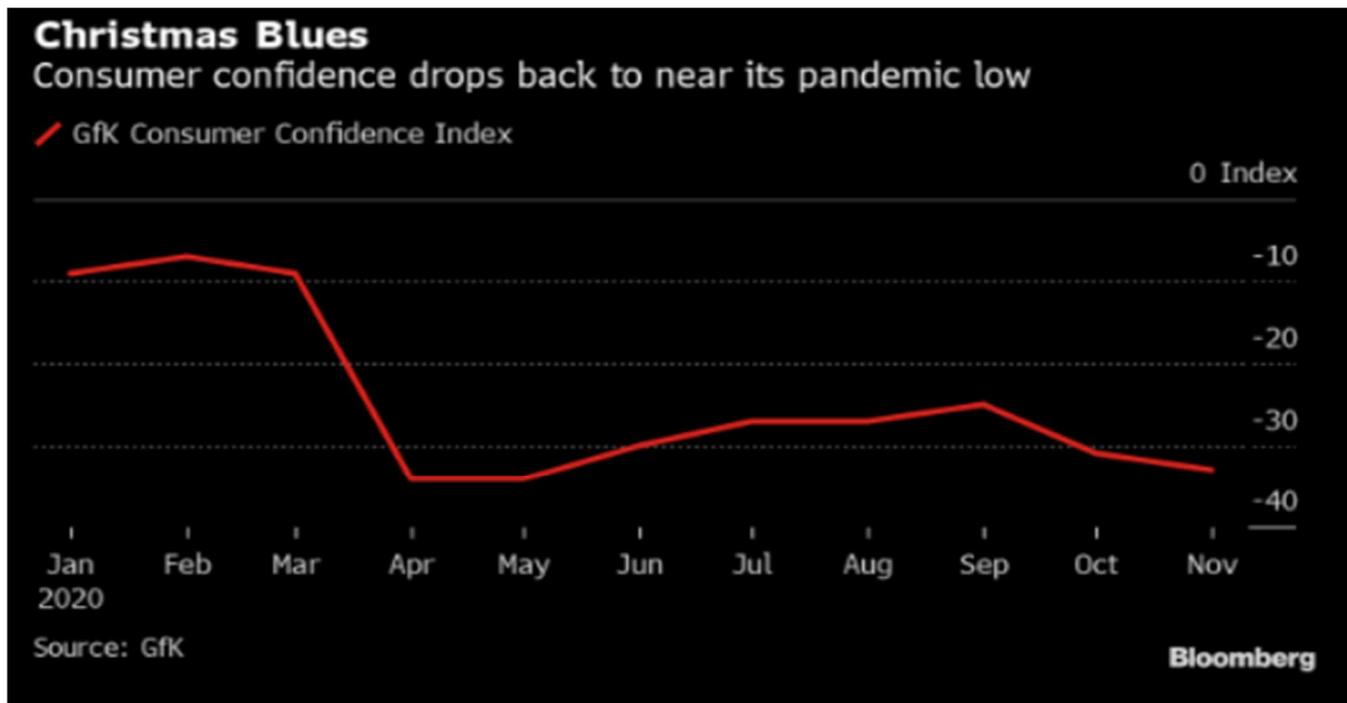
BAe shares have only recently started to recover, and we feel there is still value on offer.



## Chart of the day

U.K. retail sales rose for a sixth straight month in October, helped by early Christmas shopping as consumers moved to get ahead of virus lockdowns that closed stores.

The volume of sales increased 1.2%, defying economists' expectations for a modest decline, according to data published today. But another report on household confidence gave cause for concern, showing that sentiment is subdued, and people are more worried about their personal finances.



Source: Bloomberg

## Recap of yesterday

Cineworld dropped 8.7% after the FT reported it was considering a company voluntary arrangement to cut costs, looking to reduce rents and permanently close UK cinemas due to lockdown with no blockbuster releases.

Halma rose 3.1% as interim pre-tax profit (to 30/9) fell 9% year-on-year on revenues 5% lower, the dividend was increased 5% to 6.87p. It upped full year pre-tax profit guidance to be down 5%, from a 5-10% decline, on improving performance in key markets.

Johnson Matthey fell 5.6% as interim pre-tax profit fell 88% to £26m on revenues 2% higher, due to lower demand in its clean air business and a £78m impairment charge, the dividend was cut 18% to 20p per share. It expected a much better second half.

Kingfisher added 2.7% as third quarter (to 31/10) total sales rose 17.6% to £3.5bn (like-for-like sales grew 17.4%). It had seen a strong performance across all retail banners and categories, with growth in footfall and transaction size, as consumers focused on home improvements during lockdown.

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